

DOCKET SECTION

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

Docket No. R97-1

RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS DANIEL TO INTERROGATORY OF
VAL-PAK DEALERS' ASSOCIATION, INC., VAL-PAK DIRECT MARKETING
SYSTEMS, INC., AND CAROL WRIGHT PROMOTIONS, INC.
(VP-CW/USPS-T29-5)

The United States Postal Service hereby provides the response of witness Daniel to the following interrogatory of Val-Pak Dealers' Association, Inc., Val-Pak Direct Marketing Systems, Inc., and Carol Wright Promotions, Inc.: VP-CW/USPS-T29-5, filed on September 15, 1997.

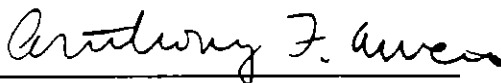
The interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Anthony F. Alverno

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
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September 29, 1997

**RESPONSE OF U.S. POSTAL SERVICE WITNESS DANIEL TO
INTERROGATORY OF VAL-PAK DIRECT MARKETING SYSTEMS, INC., VAL-PAK
DEALERS' ASSOCIATION, INC., AND CAROL WRIGHT PROMOTIONS, INC.**

VP-CW/USPS-T29-5. Please refer to USPS-29C, p. 6. The data in columns 2 and 10 of that exhibit are abstracted below, and the "other" unit costs have been calculated from these data.

	Volume [2]	Total "Other" Costs [10]	"Other" Unit Costs [11]
Regular	34,359,010	274,817	0.7998
ECR	32,424,240	163,433	0.5040
Total	66,783,250	438,250	0.6562

- a. Please explain fully why you computed and used (see p.3 of USPS-29C) the average "other" unit costs for all Standard A mail (0.6252) rather than compute separately and use .7998 cents for the Regular rate categories and 0.5040 cents for the ECR rate categories.
- b. In your view, would it be appropriate to describe "other" costs as non-model costs? Please explain why or why not.
- c. Please describe all major activities or functions that comprise these "other" costs. Do any of these "other" costs have MODS functions associated with them?
- d. What effort did you make to ascertain whether some of the "other" unit costs vary **in proportion** either mail processing, delivery or transportation costs? Please explain your rationale for making an equal adjustment to the unit costs shown on p.3 of USPS-29C, rather than a proportional adjustment.

RESPONSE:

- a. The purpose of Exhibit USPS-29C, page 3 is to compare the costs of pieces before and after they migrate from ECR basic to Automation 5-Digit. Since they are the same pieces, it seems unlikely that "other costs" would change significantly. Therefore, average "other" costs have been used. Mail processing and delivery costs for those pieces that migrate are different, however.
- b. No. The term "non-model costs" refers to difference between CRA *mail processing* costs and costs estimated by the mail flow models. I use the term "CRA adjustment" in this docket to refer to the process of reconciling CRA mail processing costs and the costs estimated by the mailflow models. "Other" costs are not mail

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processing costs.

c. "Other" costs are the costs of all activities that are neither mail processing, delivery or transportation. MODS functions apply to mail processing costs and therefore would not apply to "Other" costs. Please see my response to VPCW/USPS-T29-2(c) for a discussion of what is included in "Other" costs.

d. "Other" costs were not used in determining discounts because the Commission has traditionally used only mail processing and delivery costs for this purpose. No attempt to ascertain proportionality was performed. "Other" costs were calculated because a total cost figure was required for the final adjustment described by witness Moeller (USPS-T-36 at 47).

DECLARATION

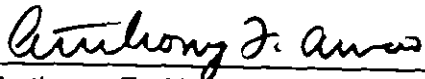
I, Sharon Daniel, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


SHARON DANIEL

Dated: September 29, 1997

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.


Anthony F. Alverno

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